

**MITCHELL COUNTY MEMORIAL HOSPITAL
DBA: MITCHELL COUNTY REGIONAL HEALTH CENTER**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2020 AND 2019

**MITCHELL COUNTY REGIONAL HEALTH CENTER
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**MITCHELL COUNTY REGIONAL HEALTH CENTER
BOARD OF TRUSTEES AND HEALTH CENTER ADMINISTRATION
YEAR ENDED JUNE 30, 2020**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
BOARD OF TRUSTEES		
Jon Koster	Chairperson	November 2022
Betty McCarthy	Vice Chairperson	November 2022
Jean Brumm	Secretary/Treasurer	November 2022
Cheryl Smalley	Member	November 2020
Luke Porish	Member	November 2020
Steve Norby	Member	November 2020
Corky Follmuth	Member	November 2022
HEALTH CENTER OFFICIALS		
Shelly Russell	Chief Executive Officer	
Judy Brown	Chief Nursing Officer	
Gregory J. Burkel	Chief Financial Officer	

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Mitchell County Regional Health Center
Osage, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of Mitchell County Regional Health Center (the Health Center), and its discretely presented component unit, the Mitchell County Memorial Foundation (the Foundation), which comprise the statements of net position and statements of financial position, respectively, as of June 30, 2020 and 2019, and the related statements of revenues, expenses, and changes in net position, activities and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Health Center's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Health Center's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mitchell County Regional Health Center and its discretely presented component unit as of June 30, 2020 and 2019, and the respective changes in their financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 11, the budgetary comparison, the schedules of the Health Center's proportionate share of the net pension liability, the schedules of Health Center contributions, and related notes on pages 45 through 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of Mitchell County Regional Health Center as a whole. The supplementary information on pages 51 through 58 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The table of the board of trustees and Health Center administration, and the schedules of patient receivables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Board of Trustees
Mitchell County Regional Health Center

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2020 on our consideration of Mitchell County Regional Health Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Mitchell County Regional Health Center's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Austin, Minnesota
October 27, 2020

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**MITCHELL COUNTY REGIONAL HEALTH CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020 AND 2019**

This section of the Mitchell County Regional Health Center (the Health Center) annual audited financial report represents management's discussion and analysis of Mitchell County Regional Health Center's financial performance during the fiscal year ended June 30, 2020. The analysis will focus on Mitchell County Regional Health Center's financial performance as a whole. Please read it in conjunction with the audited financial report.

USING THIS ANNUAL REPORT

The June 30, 2020 and 2019 independent auditors' report includes audited financial statements that include:

- Statements of Net Position
- Statements of Financial Position – Foundation
- Statements of Revenues, Expenses, and Changes in Net Position
- Statements of Activities and Changes in Net Assets – Foundation
- Statements of Cash Flows
- Statements of Cash Flows – Foundation
- Notes to Financial Statements

FINANCIAL HIGHLIGHTS

- The Health Center's total assets increased by \$11,061,892 or 28.9% in 2020, increased by \$4,328,734 or 12.7% in 2019, and increased by \$6,192,916 or 22.3% in 2018.
- The Health Center's net position increased by \$130,543 or 0.6% in 2020, a \$1,201,397 or 6.3% increase in 2019, and increased by \$1,053,172 or 5.8% in 2018.

THE STATEMENT OF NET POSITION AND STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

These financial statements report information about the Health Center using Governmental Accounting Standards Board (GASB) accounting principles. The statement of net position is a statement of financial position. It includes all of the Health Center's assets, deferred outflows of resources, deferred inflows of resources, and liabilities and provides information about the amounts of investments in resources (assets) and the obligations to Health Center creditors (liabilities). Revenue and Expense are reflected for the current and previous year on the statements of revenues, expenses, and changes in net position. This statement shows the results of the Health Center's operations. The last financial statement is the statement of cash flow. The cash flow essentially reflects the movement of money in and out of the Health Center that determines the Health Center's solvency. It is divided into cash flows (in or out) from operating, noncapital financing, capital and related financing, and investing activities.

Also supporting, supplementary information to the above statements is provided in:

- Schedules of Patient Service Revenues
- Schedules of Adjustments to Patient Service Revenues and Other Revenues
- Schedules of Operating Expenses
- Schedules of Aged Accounts Receivable from Patients and Allowance for Doubtful Accounts
- Schedules of Inventories and Prepaid Expenses
- Schedule of Bond Investment Transactions

**MITCHELL COUNTY REGIONAL HEALTH CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020 AND 2019**

FINANCIAL ANALYSIS OF THE HEALTH CENTER

The information from the statements of net position and statements of revenues, expenses and changes in net position have been summarized in the following tables. Tables 1 and 2 report on the net position of the Health Center. Increases or decreases in net position are one indicator of whether or not the Health Center's financial health is improving. Other nonfinancial factors can also have an effect on the Health Center's financial position. These can include such things as changes in Medicare and Medicaid regulations and reimbursement, changes with other third-party payors, as well as, changes in the economic environment of Mitchell County Regional Health Center and the surrounding areas.

Table 1: Assets and Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

	2020	2019	2018
Assets:			
Current Assets	\$ 24,177,188	\$ 15,219,804	\$ 14,428,746
Noncurrent Cash and Investments	2,669,489	1,987,062	1,257,102
Capital Assets, Net	<u>22,515,712</u>	<u>21,093,631</u>	<u>18,285,915</u>
Total Assets	<u>49,362,389</u>	<u>38,300,497</u>	<u>33,971,763</u>
Deferred Outflows of Resources:			
Pension Related Deferred Outflows	2,618,642	2,328,633	2,650,098
Deferred Loss From Refinancing of Long-Term Debt	-	4,898	14,692
Total Deferred Outflows of Resources	<u>2,618,642</u>	<u>2,333,531</u>	<u>2,664,790</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 51,981,031</u>	<u>\$ 40,634,028</u>	<u>\$ 36,636,553</u>
Liabilities:			
Total Current Liabilities	\$ 10,316,791	\$ 4,178,738	\$ 4,303,397
Total Long-Term Liabilities	<u>19,278,739</u>	<u>14,939,939</u>	<u>12,258,717</u>
Total Liabilities	<u>29,595,530</u>	<u>19,118,677</u>	<u>16,562,114</u>
Deferred Inflows of Resources:			
Pension Related Deferred Inflows	1,079,684	352,679	140,115
Deferred Revenue from Succeeding Year			
Property Tax Receivable	<u>769,790</u>	<u>757,188</u>	<u>730,237</u>
Total Deferred Inflows of Resources	<u>1,849,474</u>	<u>1,109,867</u>	<u>870,352</u>
Net Position:			
Net Investment in Capital Assets	7,966,053	11,465,679	11,739,749
Restricted Under Master Affiliation Agreement with MMC-NI	556,184	556,184	556,184
Restricted Under Debt Agreements	700,000	700,000	700,000
Restricted by Donor	10,000	1,467	2,147
Unrestricted	<u>11,303,790</u>	<u>7,682,154</u>	<u>6,206,007</u>
Total Net Position	<u>20,536,027</u>	<u>20,405,484</u>	<u>19,204,087</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 51,981,031</u>	<u>\$ 40,634,028</u>	<u>\$ 36,636,553</u>

**MITCHELL COUNTY REGIONAL HEALTH CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020 AND 2019**

FINANCIAL ANALYSIS OF THE HEALTH CENTER (CONTINUED)

Table 2 summarizes information from the statements of revenues, expenses, and changes in net position.

Table 2: Statements of Revenues, Expenses, and Changes in Net Position

	2020	2019	2018
Net Patient Service Revenue	\$ 25,560,910	\$ 25,639,739	\$ 22,603,146
Other Operating Revenue	<u>2,725,483</u>	<u>2,533,680</u>	<u>2,453,585</u>
Total Operating Revenue	28,286,393	28,173,419	25,056,731
Operating Expenses:			
Salaries and Wages	10,165,477	9,992,384	8,594,854
Employee Benefits	3,982,737	3,385,692	3,263,277
Supplies and Other Expenses	12,619,385	12,499,787	11,834,321
Depreciation	2,265,410	1,933,983	1,345,414
Interest and Amortization	<u>333,507</u>	<u>78,593</u>	<u>63,397</u>
Total Operating Expenses	<u>29,366,516</u>	<u>27,890,439</u>	<u>25,101,263</u>
Operating Income (Loss)	(1,080,123)	282,980	(44,532)
Nonoperating Revenues (Expenses) :			
Tax Revenue	794,553	773,716	759,963
Investment Income	164,736	152,290	75,720
Noncapital Grant and Contributions	85,593	18,095	162,021
Gain (Loss) on Sale of Capital Assets	<u>2,307</u>	<u>(38,034)</u>	<u>-</u>
Nonoperating Revenues	<u>1,047,189</u>	<u>906,067</u>	<u>997,704</u>
Excess (Deficit) of Revenues over Expenses before Capital Grants and Contributions	(32,934)	1,189,047	953,172
Capital Grants and Contributions	<u>163,477</u>	<u>12,350</u>	<u>100,000</u>
Increase in Net Position	130,543	1,201,397	1,053,172
Net Position - Beginning of Year	<u>20,405,484</u>	<u>19,204,087</u>	<u>18,150,915</u>
Net Position - End of Year	<u><u>\$ 20,536,027</u></u>	<u><u>\$ 20,405,484</u></u>	<u><u>\$ 19,204,087</u></u>

Net patient service revenue made up 90.4% in 2020, 91.0% in 2019, and 90.21% in 2018 of Mitchell County Regional Health Center's total operating revenue. To arrive at net patient service revenue contractual adjustments have been made to gross patient service revenue due to agreements with third-party payors. Table 3 below shows the contractual adjustments that were recognized.

**MITCHELL COUNTY REGIONAL HEALTH CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020 AND 2019**

FINANCIAL ANALYSIS OF THE HEALTH CENTER (CONTINUED)

Table 3: Net Patient Service Revenue and Contractual Adjustments

	2020	2019	2018
Total Patient Service Revenues	\$ 45,814,273	\$ 46,868,608	\$ 41,126,515
Contractual Adjustments and Provisions for Uncollectible Accounts	(20,253,363)	(21,228,869)	(18,523,369)
Net Patient Service Revenue	<u>\$ 25,560,910</u>	<u>\$ 25,639,739</u>	<u>\$ 22,603,146</u>
Contractual Adjustments and Provisions for Uncollectible Accounts as a Percent of Revenues	<u>44.21 %</u>	<u>45.29 %</u>	<u>45.04 %</u>

Net patient service revenue decreased \$78,829 or (0.3)% in 2020, increased \$3,036,593 or 13.4% in 2019, and increased \$425,444 or 1.9% in 2018. Total operating expenses increased \$1,476,077 or 5.3% in 2020, increased \$2,789,176 or 11.1% in 2019, and \$1,342,744 or 5.7% in 2018.

The nonoperating revenue had increased from the prior year by \$141,122 due to the grants received during the year related to COVID-19 relief. Other operating revenue increased by \$191,803 or 7.6% in 2020, due to an increase in 340b revenue.

Table 4: Other Revenues

	2020	2019	2018
Rental	\$ 78,812	\$ 84,339	\$ 128,682
Cafeteria	125,680	131,161	128,433
Lab	3,265	5,474	14,060
Vending Machines	6,645	5,374	7,929
Medical Records Transcripts	414	595	956
Retail 340B	2,292,390	2,059,638	1,939,823
Other	218,277	247,099	233,702
Total Other Revenues	<u>\$ 2,725,483</u>	<u>\$ 2,533,680</u>	<u>\$ 2,453,585</u>

**MITCHELL COUNTY REGIONAL HEALTH CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020 AND 2019**

FINANCIAL ANALYSIS OF THE HEALTH CENTER (CONTINUED)

Health Center Statistical Data

Table 5 shows the Health Center's statistical data. In comparison, there is a direct correlation between utilization changes and revenue changes.

Table 5: Statistical Data

	2020	2019	2018
Patient Days			
Acute	833	902	873
Swing Bed	676	718	759
Total	<u>1,509</u>	<u>1,620</u>	<u>1,632</u>
Admissions			
Acute	262	290	257
Swing Bed	68	57	72
Total	<u>330</u>	<u>347</u>	<u>329</u>
Discharges			
Acute	260	289	253
Swing Bed	66	60	74
Total	<u>326</u>	<u>349</u>	<u>327</u>
Average Length of Stay, Acute	3.2	3.1	3.5
Average Length of Stay, Swing Bed	10.2	12.00	10.3
Beds			
Acute and Swing	25	25	25
Occupancy Percentage			
Acute and Swing, Based on 25 Beds	16.5 %	17.8 %	17.9 %

The Health Center's Cash Flows

The Health Center's cash flows are consistent with the changes in operating income and financial performance, as discussed earlier.

Capital Assets

At June 30, 2020, the Health Center had \$22,515,712 invested in capital assets net of accumulated depreciation. In 2020, the Health Center expended \$3,957,653 to purchase fixed assets.

Long-Term Debt

Table 6 shows a summary of the Health Center's long-term debt outstanding.

**MITCHELL COUNTY REGIONAL HEALTH CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020 AND 2019**

FINANCIAL ANALYSIS OF THE HEALTH CENTER (CONTINUED)

Table 6: Long-Term Debt

	2020	2019	2018
Hospital Refunding Note, Series 2002	\$ -	\$ 185,338	\$ 456,573
IT Infrastructure Loan	284,882	414,328	539,317
Hospital Revenue Note, Series 2017	8,645,352	8,227,534	4,572,655
Radiology Note Payable	-	-	46,952
Endoscopy Note Payable	-	-	24,741
Hospital Revenue Note, Series 2019	2,141,730	-	-
CT Scanner Loan	538,000	-	-
PPP Loan	2,480,100	-	-
3D Mammography Lease	102,314	170,597	235,817
Total Long-Term Debt	<u>\$ 14,192,378</u>	<u>\$ 8,997,797</u>	<u>\$ 5,876,055</u>

Economic Factors

Mitchell County Regional Health Center (the Health Center or MCRHC) continues to improve its operational and financial performance. During the fiscal year 2020, we are highlighting the following items:

- 1) The Hospital engaged Accord Architecture and Henkel Construction to complete a \$4.4 million addition/remodel of the surgical services area. The expansion and renovation project will enhance the hospital's ability to provide additional surgical services, including orthopedics. The addition and renovation provides the operating and recovery space, including a sterile environment, needed for these types of procedures.
- 2) Financing for the surgical services expansion and renovation project was finalized in September 2019. The Hospital financed \$3.2 million of the project through Bell Bank. The remaining \$1.2 million will be funded through cash reserves.
- 3) Significant time and effort was invested by MCRHC Senior Leader Team and Board Members to review and modify the MercyOne Management Services Agreement, which expired June 30, 2020.
- 4) The Hospital was significantly impacted by the COVID 19 – Pandemic. Upon the March 13th, 2020 pandemic declaration, the Hospital was required by state order to to cancel all elective surgical procedures, which ended in May. Additionally, the Hospital chose to shut down several outpatient services: cardiac rehabilitation, pulmonary rehabilitation, outpatient non-emergent imaging and Senior Life Solutions. The primary care clinics saw significant drops in visits as patients delayed their general routine care visits.

The Hospital initiated their incident command with the pandemic declaration, this group worked through changing protocols and implemented cross training of employees to different departments/roles to assure continuity of care during the pandemic should a department experience staffing shortages or experience surge volumes for patient care.

**MITCHELL COUNTY REGIONAL HEALTH CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020 AND 2019**

Economic Factors (Continued)

4) (Continued)

The Hospital received provider relief funds under the CARES Act and other grants to help offset the financial implications of reduced patient volumes and additional costs to manage under the pandemic. Department of Health & Human Services CARES grants totaled approximately \$4.4 million and other COVID pandemic response grants of approximately \$93,000. The Hospital also received approximately \$2.48 million in funds from the Small Business Administration (SBA) loan for the Paycheck Protection Program (PPP) and plan to apply for the forgiveness of this loan.

- 5) The Hospital completed negotiations with the Communication Workers of America (CWA-RN Union), the Public, Professional & Maintenance Employees Local Union #2003 (PPME) and the Mitchell County EMS unit of AFSCME IA. The CWA-RN Union and the PPME Union contracts were agreed upon for a three-year period. AFSCME IA was negotiated for a period of one-year.
- 6) For the first time, the FY 2019 filed Medicare cost report included a home office cost report from MercyOne, with the plan to include these costs in future cost report filings.
- 7) The Hospital restructured its employer provided health insurance. The standard health plan offered is a Wellmark-Health Maintenance Organization (HMO) plan. There are two additional health insurance plans available to employees which may require additional cost sharing, they include a traditional Preferred Provider Organization (PPO) and a qualified High Deductible Health Plan (HDHP) that includes a contribution to a health savings account (HSA).

Contacting Mitchell County Regional Health Center

The financial report is designed to provide our citizens, customers, and creditors with a general overview of Mitchell County Regional Health Center's finances and to demonstrate the Health Center's accountability for money it receives. If you have any questions about this report or need additional information, please contact Health Center administration at Mitchell County Regional Health Center, 616 North Eight Street, Osage, Iowa 50461.

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MITCHELL COUNTY REGIONAL HEALTH CENTER
STATEMENTS OF NET POSITION
JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 18,080,011	\$ 7,948,739
Cash - Auxiliary	13,202	10,535
Investments	1,079,056	1,443,643
Patient Receivables, Less Allowance for Uncollectible Accounts (2020, \$668,797; 2019, \$832,370)	2,902,743	3,579,266
Estimated Third-Party Payor Settlements Receivable	-	278,009
Other Receivables	725,152	662,552
Succeeding Year Property Tax Receivable	769,790	757,188
Inventories	466,629	419,733
Prepaid Expenses	140,605	120,139
Total Current Assets	<u>24,177,188</u>	<u>15,219,804</u>
 NONCURRENT CASH AND INVESTMENTS		
Internally Designated By Board for Capital Expenditures	1,038,890	730,878
Restricted Under Debt Agreements	700,000	700,000
Restricted by Master Affiliation Agreement with MMC-NI	556,184	556,184
Noncurrent Investments	374,415	-
Total Noncurrent Cash and Investments	<u>2,669,489</u>	<u>1,987,062</u>
 CAPITAL ASSETS, NET	<u>22,515,712</u>	<u>21,093,631</u>
Total Assets	<u>49,362,389</u>	<u>38,300,497</u>
 DEFERRED OUTFLOWS OF RESOURCES		
Pension Related Deferred Outflows	2,618,642	2,328,633
Deferred Loss From Refinancing of Long-Term Debt	-	4,898
Total Deferred Outflows of Resources	<u>2,618,642</u>	<u>2,333,531</u>
 Total Assets and Deferred Outflows of Resources	<u><u>\$ 51,981,031</u></u>	<u><u>\$ 40,634,028</u></u>

See accompanying Notes to Financial Statements.

**MITCHELL COUNTY REGIONAL HEALTH CENTER
STATEMENTS OF NET POSITION (CONTINUED)
JUNE 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
CURRENT LIABILITIES		
Current Maturities of Long-Term Debt	\$ 1,833,642	\$ 699,861
Accounts Payable:		
Trade	639,102	841,678
Construction	357,281	630,155
Due To Affiliated Organization	756,993	738,976
Estimated Third-Party Payor Settlements	1,013,763	-
Custodial Funds - Auxiliary	13,202	10,535
Unearned Grant Revenue	4,398,267	-
Accrued Expenses	<u>1,304,541</u>	<u>1,257,533</u>
Total Current Liabilities	10,316,791	4,178,738
LONG-TERM LIABILITIES		
Long-Term Debt, Less Current Maturities	12,358,736	8,297,936
Net Pension Liability	<u>6,920,003</u>	<u>6,642,003</u>
Total Long-Term Liabilities	<u>19,278,739</u>	<u>14,939,939</u>
 Total Liabilities	 29,595,530	 19,118,677
DEFERRED INFLOWS OF RESOURCES		
Pension Related Deferred Inflows	1,079,684	352,679
Deferred Revenue from Succeeding Year Property Tax Receivable	<u>769,790</u>	<u>757,188</u>
Total Deferred Inflows of Resources	1,849,474	1,109,867
COMMITMENTS AND CONTINGENCIES		
NET POSITION		
Net Investment in Capital Assets	7,966,053	11,465,679
Restricted:		
By Master Affiliation Agreement with MMC-NI	556,184	556,184
Under Debt Agreements	700,000	700,000
By Donor	10,000	1,467
Unrestricted	<u>11,303,790</u>	<u>7,682,154</u>
Total Net Position	<u>20,536,027</u>	<u>20,405,484</u>
 Total Liabilities, Deferred Inflows of Resources, and Net Position	 <u><u>\$ 51,981,031</u></u>	 <u><u>\$ 40,634,028</u></u>

See accompanying Notes to Financial Statements.

MITCHELL COUNTY MEMORIAL FOUNDATION
STATEMENTS OF FINANCIAL POSITION – FOUNDATION
JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 162,939	\$ 118,600
Assets Limited as to Use	505,289	412,413
Pledges Receivable, Net	<u>441,544</u>	<u>292,499</u>
Total Assets	<u><u>\$ 1,109,772</u></u>	<u><u>\$ 823,512</u></u>
NET ASSETS		
NET ASSETS		
Without Donor Restrictions	\$ 162,939	\$ 118,600
With Donor Restrictions		
For Projects	917,731	678,209
For Scholarships	19,424	15,103
For Miscellaneous Services or Items	<u>9,678</u>	<u>11,600</u>
Total Net Assets	<u><u>\$ 1,109,772</u></u>	<u><u>\$ 823,512</u></u>

See accompanying Notes to Financial Statements.

MITCHELL COUNTY REGIONAL HEALTH CENTER
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
OPERATING REVENUES		
Patient Service Revenues (Net of Contractual Allowances and Discounts and Provision for Bad Debt)	\$ 25,560,910	\$ 25,639,739
Other Revenues	<u>2,725,483</u>	<u>2,533,680</u>
Total Operating Revenues	28,286,393	28,173,419
OPERATING EXPENSES		
Salaries and Wages	10,165,477	9,992,384
Employee Benefits	3,982,737	3,385,692
Supplies and Other Expenses	12,619,385	12,499,787
Depreciation	2,265,410	1,933,983
Interest and Amortization	<u>333,507</u>	<u>78,593</u>
Total Operating Expenses	<u>29,366,516</u>	<u>27,890,439</u>
OPERATING INCOME (LOSS)	(1,080,123)	282,980
NONOPERATING GAINS		
County Tax Revenue	794,553	773,716
Investment Income	164,736	152,290
Noncapital Grants and Contributions	85,593	18,095
Gain (Loss) on Sale of Capital Assets	<u>2,307</u>	<u>(38,034)</u>
Net Nonoperating Gains	<u>1,047,189</u>	<u>906,067</u>
EXCESS (DEFICIT) OF REVENUES AND GAINS OVER EXPENSES AND LOSSES	(32,934)	1,189,047
CAPITAL GRANTS AND CONTRIBUTIONS	<u>163,477</u>	<u>12,350</u>
INCREASE IN NET POSITION	130,543	1,201,397
Net Position - Beginning of Year	<u>20,405,484</u>	<u>19,204,087</u>
NET POSITION - END OF YEAR	<u><u>\$ 20,536,027</u></u>	<u><u>\$ 20,405,484</u></u>

See accompanying Notes to Financial Statements.

MITCHELL COUNTY MEDICAL FOUNDATION
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS – FOUNDATION
YEARS ENDED JUNE 30, 2020 AND 2019

	2020		
	Unrestricted	Temporarily Restricted	Total
REVENUES			
Contributions	\$ 43,941	\$ 357,773	\$ 401,714
Investment Income	8,004	-	8,004
Net Asset Released From Restrictions	115,852	(115,852)	-
Total Revenues	167,797	241,921	409,718
EXPENSES			
Contributions to Mitchell County Regional Health Center	115,656	-	115,656
Contributions to Others	4,047	-	4,047
Supplies and Miscellaneous	3,755	-	3,755
Total Expenses	123,458	-	123,458
INCREASE IN NET ASSETS	44,339	241,921	286,260
Net Assets - Beginning of Year	118,600	704,912	823,512
NET ASSETS - END OF YEAR	<u>\$ 162,939</u>	<u>\$ 946,833</u>	<u>\$ 1,109,772</u>
	2019		
	Unrestricted	Temporarily Restricted	Total
REVENUES			
Contributions	\$ 5,958	\$ 319,137	\$ 325,095
Investment Income	6,160	-	6,160
Net Asset Released From Restrictions	6,462	(6,462)	-
Total Revenues	18,580	312,675	331,255
EXPENSES			
Contributions to Mitchell County Regional Health Center	13,678	-	13,678
Contributions to Others	3,304	-	3,304
Supplies and Miscellaneous	1,921	-	1,921
Total Expenses	18,903	-	18,903
INCREASE (DECREASE) IN NET ASSETS	(323)	312,675	312,352
Net Assets - Beginning of Year	118,923	392,237	511,160
NET ASSETS - END OF YEAR	<u>\$ 118,600</u>	<u>\$ 704,912</u>	<u>\$ 823,512</u>

See accompanying Notes to Financial Statements.

**MITCHELL COUNTY REGIONAL HEALTH CENTER
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2020 AND 2019**

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Patients and Third Parties	\$ 27,529,205	\$ 24,596,161
Cash Paid to Employees	(13,386,050)	(12,951,874)
Cash Paid to Suppliers	(12,869,044)	(12,667,498)
Other Receipts and Payments, Net	2,662,883	2,455,836
Net Cash Provided by Operating Activities	3,936,994	1,432,625
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Tax Appropriations	794,553	773,716
Noncapital Grants and Contributions	4,483,860	18,095
Net Cash Provided by Noncapital Financing Activities	5,278,413	791,811
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of Property and Equipment	(3,957,653)	(4,848,750)
Capital Grants and Contributions	163,477	12,350
Payments on Long-Term Debt	(698,650)	(533,137)
Proceeds from Sale of Capital Assets	-	31,000
Proceeds from Issuance of Long-Term Debt	5,893,231	3,654,879
Interest Payments on Long-Term Debt	(328,769)	(37,305)
Net Cash Provided (Used) by Capital and Related Financing Activities	1,071,636	(1,720,963)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Income	117,630	120,943
Purchase of Investments	(851,238)	(1,091,373)
Sale of Investments	861,525	1,091,373
Proceeds from the Sale of Noncurrent Cash and Investments	18,979	17,396
Purchase of Noncurrent Cash and Investments	(300,000)	(725,000)
Net Cash Used by Investing Activities	(153,104)	(586,661)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	10,133,939	(83,188)
Cash and Cash Equivalents - Beginning of Year	7,959,274	8,042,462
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 18,093,213</u>	<u>\$ 7,959,274</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENTS OF NET POSITION		
Cash and Cash Equivalents	\$ 18,080,011	\$ 7,948,739
Cash - Auxiliary	13,202	10,535
Total Cash and Cash Equivalents	<u>\$ 18,093,213</u>	<u>\$ 7,959,274</u>

See accompanying Notes to Financial Statements.

**MITCHELL COUNTY REGIONAL HEALTH CENTER
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$ (1,080,123)	\$ 282,980
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Interest Expense and Amortization Considered Capital and Related Financing Activity	333,507	78,593
Provision for Uncollectible Accounts	816,920	833,614
Depreciation	2,265,410	1,933,983
(Increase) Decrease in:		
Patient Receivables	(140,397)	(1,212,437)
Other Receivables	(62,600)	(77,844)
Inventories	(47,301)	(112,774)
Prepaid Expenses	(20,466)	7,207
Pension Related Deferred Outflows	(290,009)	321,465
Increase (Decrease) in:		
Accounts Payable	(202,576)	(6,677)
Due to Affiliated Organization	20,684	(55,467)
Pension Related Deferred Inflows	727,005	212,564
Net Pension Liability	278,000	(289,387)
Accrued Salaries, Wages, Benefits, and Other	47,168	181,560
Estimated Third-Party Payor Settlements	1,291,772	(664,755)
Net Cash Provided by Operating Activities	<u>\$ 3,936,994</u>	<u>\$ 1,432,625</u>
 SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Additions to Property and Equipment Included in Accounts Payable	<u>\$ 357,281</u>	<u>\$ 630,155</u>

See accompanying Notes to Financial Statements.

**MITCHELL COUNTY MEMORIAL FOUNDATION
STATEMENTS OF CASH FLOWS – FOUNDATION
YEARS ENDED JUNE 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in Net Assets	\$ 286,260	\$ 312,352
Decrease in Assets Limited to Use	(92,876)	(226,001)
Change in Pledges Receivable	<u>(149,045)</u>	<u>(86,674)</u>
Net Cash Provided (Used) by Operating Activities	<u>44,339</u>	<u>(323)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	44,339	(323)
Cash and Cash Equivalents - Beginning of Year	<u>118,600</u>	<u>118,923</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 162,939</u></u>	<u><u>\$ 118,600</u></u>

See accompanying Notes to Financial Statements.

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MITCHELL COUNTY REGIONAL HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Mitchell County Regional Health Center (the Health Center) is the Hospital of Mitchell County, Iowa, organized under Chapter 347 of the Code of Iowa. Services are provided primarily to residents of Mitchell County and the surrounding area in northeastern Iowa, through hospital-based services in Osage, Iowa and physician clinic services in Osage, St. Ansgar, and Riceville, Iowa.

The Health Center has a certified tax levy to support an ambulance service in Mitchell County. Riceville Ambulance Services, Inc., a 501(c)3 organization, is an emergency management service organized and operated pursuant to Iowa Code Chapter 147A. Since the city of Riceville is partially located in Mitchell County and Riceville Ambulance Services, Inc. serves 18.9% of Mitchell County, the Health Center has contracted to pay Riceville Ambulance Service, Inc. 18.9% of the tax levy support for their service to cover that area. This agreement became effective on January 1, 2015.

Reporting Entity

For financial reporting purposes, the Health Center has included all funds, organizations, account groups, agencies, boards, commissions, and authorities. The Health Center has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Health Center are such that exclusion would cause the Health Center's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria including appointing a voting majority of an organization's governing body, and (1) the ability of the Health Center to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Health Center. The Health Center has identified one component unit which is required to be reported in accordance with the GASB criteria.

Mitchell County Memorial Foundation (the Foundation) is a legally separate, tax-exempt component unit of the Health Center and has a year-end of June 30. The Foundation's financial statements have been included as a discretely presented component unit. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the Health Center in support of its operations and programs. The Health Center does not appoint a voting majority of the Foundation's board of directors or in any way impose its will over the Foundation. However, the Foundation is included as a discretely presented component unit due to the nature and significance of its relationship to the Health Center.

Tax Exempt Status

The Health Center is exempt from income taxes as a political subdivision.

The Foundation is an Iowa nonprofit corporation and has been recognized by the Internal Revenue Service as exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). The Foundation is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose, as applicable.

MITCHELL COUNTY REGIONAL HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tax Exempt Status (Continued)

The Foundation believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Foundation would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Basis of Presentation

The statements of net position display the Health Center's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories/components:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position

Nonexpendable – Nonexpendable net position is subject to externally imposed stipulations which require them to be maintained permanently by the Health Center.

Expendable – Expendable net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position

Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

When both restricted and unrestricted net position are available for use, generally it is the Health Center's policy to use restricted net position first.

Basis of Presentation – Foundation

The Foundation reports information regarding its financial position and operations according to two classes of net assets depending on the existence or nature of any donor restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Those resources over which the Foundation has discretionary control.

Net Assets With Donor Restrictions – Include net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or the events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource has been fulfilled, or both.

**MITCHELL COUNTY REGIONAL HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation – Foundation (Continued)

Unconditional promises to give cash and other assets are accrued at estimated fair market value at the date each promise is received. The gifts are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction is satisfied, net assets are released and reported as an increase in net assets without donor restrictions. Donor-restricted contributions whose restrictions are met within the same reporting period as received are recorded as unrestricted contributions.

Measurement Focus and Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The Health Center's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by GASB. The accompanying financial statements have been prepared on the accrual basis of accounting. Revenues are recognized when earned, and expenses are recorded when the liability is incurred.

The Health Center uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis, using the economic resources measurement focus. Based on GASB Codification Topic 1600, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, as amended, the Health Center has elected not to apply provisions of any pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989.

The Foundation's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by FASB. The accompanying financial statements have been prepared on the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with original maturities of three months or less when purchased, excluding assets limited as to use or restricted.

**MITCHELL COUNTY REGIONAL HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Patient Receivable

Patient receivables are reduced by an allowance for doubtful accounts. Patients are not required to provide collateral for services rendered. Payment for services is required upon receipt of an invoice, after payment by insurance, if any. In evaluating the collectability of patient accounts receivable, the Health Center analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for uncollectible accounts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to patients who have third-party coverage, the Health Center analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for uncollectible accounts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely). For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Health Center records a significant provision for uncollectible accounts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts. Accounts that are determined to be uncollectible are sent to a collection agency and written off at that time.

At June 30, 2020 and 2019, the allowance for doubtful accounts for self-pay patients was approximately \$669,000 and \$832,000, respectively. The Health Center's allowance for doubtful accounts for self-pay patients at June 30, 2020 and 2019 was 58% and 52%, respectively. The Health Center's self-pay write-offs increased approximately \$544,000 from approximately \$750,000 for fiscal year 2019 to approximately \$1,294,000 for fiscal year 2020. The decrease in the allowance for doubtful accounts was the result of a decrease in self-pay balances at year-end which decreased approximately \$445,000 from 2019 to 2020. The Hospital has not materially changed its charity care or uninsured discount policies during fiscal years 2019 or 2020. The Health Center does not maintain a material allowance for doubtful accounts from third-party payors, nor did it have significant write-offs from third-party payors.

Property Tax Receivable

Property tax receivable is recognized on the levy or lien date, which is the date that the tax asking is certified by the County board of supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the board of trustees to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the board of trustees is required to certify the budget in March of each year for the subsequent fiscal year.

**MITCHELL COUNTY REGIONAL HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Tax Receivable (Continued)

However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied.

During the year ended June 30, 2020 and 2019, \$24,105 and \$25,409, respectively, of county tax funds were diverted from the Health Center as a result of tax abatement arrangements to individuals or entities in the county and cities within the county.

Assets Limited as to Use

Assets limited as to use include assets designated by the Foundation (over which it retains control and may, at its discretion, subsequently use for other purposes), as restricted for projects, scholarships, and other miscellaneous services.

Inventories

The inventories are recorded at the lower of cost or market using the latest invoice cost, which approximates the first-in, first-out method.

Noncurrent Cash and Investments

Noncurrent cash and investments includes assets set aside by the board of directors for future capital improvements, over which the board retains control and may at its discretion subsequently use for other purposes. Noncurrent cash and investments also include assets held by the bank which are restricted under debt agreements, or amounts restricted under the Master Affiliation Agreement with Mercy Medical Center – North Iowa (MMC-NI) explained in Note 11. Unrestricted certificates of deposit with maturity dates greater than one year from the reporting date are also presented as noncurrent investments.

Investments

Investments are valued at purchase costs, or fair market value at date of acquisition if donated. Investments consist of certificates of deposit with original deposits greater than three months.

Compensated Absences

Health Center employees accumulate a limited amount of earned but unused paid leave hours for subsequent use or for payment upon termination, death, or retirement. The cost of projected paid leave payouts is recorded as accrued expenses on the statement of net position based on pay rates that are in effect at June 30, 2020 and 2019.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds or employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

MITCHELL COUNTY REGIONAL HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the Health Center after the measurement date but before the end of the Health Center's reporting period. Deferred outflows of resources also includes a deferred loss on debt refinance that is being amortized over the term of the refinanced debt.

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position applicable to a future year(s) which will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources in the statements of net position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied, and unrecognized items not yet charged against pension expense.

Capital Assets

Capital assets are reported at cost, if purchased, or at fair market value on the date received, if donated. Depreciation is provided on a straight-line basis over the estimated useful lives of the property. It is the Health Center's policy to include amortization expense on assets acquired under capital leases with depreciation on owned assets. Capital expenditures greater than \$5,000 are capitalized and depreciated over the life of the asset. Capital expenditures less than \$5,000 are expensed when incurred.

Net Patient Service Revenue

The Health Center has agreements with third-party payors that provide for payments to the Health Center at amounts different from its established rates. Payment arrangements include prospectively determined rates, reimbursed costs, discounted charges, and per diem payments.

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Grants and Contributions

Revenue from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses. Grant proceeds received where all eligibility requirements have not yet been met are presented as unearned grant revenue in the statements of net position.

**MITCHELL COUNTY REGIONAL HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating Revenues and Expenses

The Health Center's statement of revenues, expenses, and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from transactions associated with providing health care services – the Health Center's principal activity. Nonexchange revenues, including interest income, taxes, gains on disposal of capital assets, and grants and contributions received for the purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, including interest expense.

Charity Care

The Health Center provides care to patients who meet certain criteria under its charity care policy without a charge or at amounts less than its established rates. Because the Health Center does not pursue collection of amounts determined to qualify as charity care, an adjustment has been recorded to offset the revenue recorded. Charity care provided during the years ended June 30, 2020 and 2019 was \$26,781 and \$13,289, respectively.

In addition, the Health Center provides services to other medically indigent patients under certain government reimbursed public aid programs. Such programs pay providers amounts which are less than established charges for the services provided to the recipients, and for some services the payments are less than the cost of rendering the services provided.

The Health Center also commits significant time and resources to endeavors and critical services which meet otherwise unfulfilled community needs. Many of these activities are sponsored with the knowledge that they will not be self-supporting or financially viable.

Electronic Health Record Incentive Payments

The Health Center received funds under the Electronic Health Records (EHR) Incentive Program during 2012, 2016, 2017, 2018, and 2019. The Health Center recognizes revenue ratably over the reporting period starting at the point when management is reasonably assured the Health Center will meet all meaningful use objectives and any other specific grant requirements that are applicable, e.g., electronic transmission of quality measures to CMS in the second and subsequent payment years.

Functional Expense Allocation – Foundation

The costs providing various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated amount the programs and supporting services benefitted. Directly identifiable expenses are charged to programs and support services. Expenses relating to more than one function are allocated based upon management's judgement. Management and general expenses include those expenses that are not directly identifiable with any specific function but provide overall support to the Foundation.

MITCHELL COUNTY REGIONAL HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncement – GASB No. 89

During the year ended June 30, 2020, the Health Center early adopted GASB No. 89 – *Accounting for Interest Cost Incurred Before the End of a Construction Period*. GASB No. 89 changes the accounting for interest costs during a construction project, where interest is no longer capitalized as part of a project, but instead expensed as incurred. This change was applied prospectively from July 1, 2019, and accordingly, interest expense related to the construction project in process was expensed as incurred for the year ended June 30, 2020.

Reclassification

Certain items in the 2019 financial statements were reclassified for comparison purposes with the 2020 financial statements. The reclassifications did not result in a change of net position as previously reported.

NOTE 2 DESIGNATED NET POSITION

Of the \$11,303,790 and \$7,682,154 of unrestricted net position at June 30, 2020 and 2019, respectively, the board of trustees has designated \$1,038,890 and \$730,878 as of June 30, 2020 and 2019, respectively, for capital expenditures. Designated funds remain under the control of the board of trustees, which may at its discretion later use the funds for other purposes. Designated funds are reflected in noncurrent cash and investments.

NOTE 3 NET PATIENT SERVICE REVENUE

The Health Center has agreements with third-party payors that provide for payments to the Health Center at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows.

Medicare

The Health Center has received designation as a Critical Access Hospital (CAH) and receives reimbursement for services provided to Medicare beneficiaries based on the cost of providing those services plus 1%, less sequestration of 2%. Interim payment rates are established for inpatient and outpatient services, with settlement for over or under payments determined based on year-end cost reports. The Health Center's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the Health Center. The Health Center's Medicare cost reports have been finalized by the Medicare intermediary through June 30, 2017.

Medicaid

The Health Center has received designation as a Critical Access Hospital (CAH) and receives reimbursement for services provided to Medicaid beneficiaries based on the cost of providing those services. Interim payment rates are established for inpatient and outpatient services, with settlement for over or under payments determined based on year-end cost reports. The Health Center's Medicaid cost reports have been finalized by the Medicaid intermediary through June 30, 2017.

**MITCHELL COUNTY REGIONAL HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 3 NET PATIENT SERVICE REVENUE (CONTINUED)

Medicaid (Continued)

Effective April 1, 2016, Iowa Medicaid transitioned to three managed care organizations (MCO): United Healthcare, Amerigroup, and Amerihealth Caritas. During fiscal year 2018 Amerihealth Caritas dropped out of the plan and is no longer participating. The Health Center is a participating provider with both organizations during fiscal years 2020 and 2019.

Payment rates and methodology with each MCO are to mirror those that were previously paid by Iowa Medicaid. Effective July 1, 2019, United Healthcare is no longer a participating managed care organization, while Iowa Total Care has now entered the plan. The Health Center is contracted with Iowa Total Care.

Blue Cross

Inpatient services rendered to Blue Cross subscribers are paid at prospectively determined rates per discharge using APR-DRGs. Outpatient services are reimbursed on a prospective basis based on groups of services called EAPGs.

Other

The Health Center has also entered into payment agreements with certain commercial insurance carriers. The basis for reimbursement under these agreements includes discounts from established charges and prospectively determined rates.

Uninsured Patients

The Health Center recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients that do not qualify for charity care, the Health Center recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a significant portion of the Health Center's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Health Center records a significant provision for uncollectible accounts related to uninsured patients in the period the services are provided.

Patient service revenue, net of contractual allowances and discounts (but before the provision for uncollectible accounts), recognized in the period from these major payor sources, is as follows:

	June 30,	
	2020	2019
Patient Service Revenue (Net of Contractual Allowances and Discounts) from:		
Third-Party Payors	\$ 25,283,529	\$ 25,299,953
Uninsured Patients	1,094,301	1,173,400
	<u>26,377,830</u>	<u>26,473,353</u>
Provision for Uncollectible Accounts	(816,920)	(833,614)
Net Patient Service Revenue Less Provision for Uncollectible Accounts	<u>\$ 25,560,910</u>	<u>\$ 25,639,739</u>

MITCHELL COUNTY REGIONAL HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 3 NET PATIENT SERVICE REVENUE (CONTINUED)

Uninsured Patients (Continued)

Laws and regulations governing Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. For the years ended June 30, 2020 and 2019, the Health Center recognized additional net patient revenue of approximately \$263,000 and \$74,000, respectively, due to changes in prior year estimates resulting from settled reports.

A summary of patient service revenue, contractual adjustments, and provision for uncollectible accounts is as follows:

	June 30,	
	2020	2019
Total Patient Service Revenue	\$ 45,814,273	\$ 46,868,608
Contractual Adjustments:		
Medicare	(9,788,251)	(10,666,476)
Medicaid	(2,326,984)	(2,512,027)
Provision for Uncollectible Accounts	(816,920)	(833,614)
Other	(7,321,208)	(7,216,752)
Total Contractual Adjustments and Bad Debts	<u>(20,253,363)</u>	<u>(21,228,869)</u>
Net Patient Service Revenue	<u>\$ 25,560,910</u>	<u>\$ 25,639,739</u>

NOTE 4 PATIENT RECEIVABLES

The Health Center grants credit without collateral to its patients, most of whom are insured under third-party payor agreements. The mix of patient receivables from third-party payors, and patients reported as current assets by the Health Center at June 30 consisted of the following:

	2020	2019
Receivable from Patients and Their Insurance Carriers	\$ 2,242,859	\$ 3,042,459
Receivable from Medicare	1,178,819	1,272,280
Receivable from Medicaid	149,862	96,897
Total Patient Receivables	<u>3,571,540</u>	<u>4,411,636</u>
Less: Allowance for Doubtful Accounts	<u>(668,797)</u>	<u>(832,370)</u>
Patient Receivables, Net	<u>\$ 2,902,743</u>	<u>\$ 3,579,266</u>

MITCHELL COUNTY REGIONAL HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 5 PLEDGE RECEIVABLES AND ASSETS LIMITED AS TO USE

The Foundation has various funds classified as pledge receivables and assets limited as to use at June 30:

	2020	2019
Projects - Capital Campaign	\$ 893,084	\$ 657,197
Projects - Other	24,647	21,012
Scholarships	19,424	15,103
Miscellaneous Services or Items	9,678	11,600
Total	<u>\$ 946,833</u>	<u>\$ 704,912</u>

NOTE 6 DEPOSITS AND INVESTMENTS

The Health Center's deposits at June 30, 2020 and 2019 were entirely covered by federal depository insurance or the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Health Center is authorized by statute to invest public funds in obligations of the United States government, its agencies, and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the board of trustees; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district. Investments reported are not subject to risk categorization. Amounts classified as investments in the financial statements are presented as cash and deposits in this note.

At June 30, 2020 and 2019, the Health Center's carrying amounts of cash and deposits are as follows:

	2020	2019
Checking and Savings Accounts	\$ 18,699,397	\$ 8,565,458
Certificates of Deposit	2,103,471	2,093,643
Money Market	1,038,890	730,878
Total	<u>\$ 21,841,758</u>	<u>\$ 11,389,979</u>

The carrying amounts of deposits are included in the statements of net position as follows:

	2020	2019
Cash and Cash Equivalents	\$ 18,080,011	\$ 7,948,739
Cash - Auxiliary	13,202	10,535
Investments	1,079,056	1,443,643
Noncurrent Cash and Investments:		
Internally Designated By Board for Capital Expenditures	1,038,890	730,878
Restricted Under Debt Agreements	700,000	700,000
Restricted by Master Affiliation Agreement with MMC-NI	556,184	556,184
Noncurrent Investments	374,415	-
Total	<u>\$ 21,841,758</u>	<u>\$ 11,389,979</u>

MITCHELL COUNTY REGIONAL HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 6 DEPOSITS AND INVESTMENTS (CONTINUED)

Interest rate risk is the exposure to fair value losses resulting from rising interest rates. The primary objectives, in order of priority, of all investment activities involving the financial assets of the Health System are:

1. **Safety:** Safety and preservation of principal in the overall portfolio.
2. **Liquidity:** Maintaining the necessary liquidity to match expected liabilities.
3. **Return:** Obtaining a reasonable return.

The Health Center's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the Health Center.

The Health Center attempts to limit its interest rate risk while investing within the guidelines of its investment policy and Chapter 12C of the Code of Iowa.

The Health Center uses the fair value hierarchy established by accounting principles generally accepted in the United States of America based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs.

The Health Center had no other investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

NOTE 7 CAPITAL ASSETS

Summaries of capital assets are as follows for the years ended June 30:

	July 1, 2019	Additions	(Retirements)	Transfers	June 30, 2020
Capital Assets					
Land	\$ 229,512	\$ -	\$ -	\$ -	\$ 229,512
Land Improvements	535,471	-	(60,910)	771,482	1,246,043
Building	28,641,120	-	-	(2,127,293)	26,513,827
Leasehold Improvements	55,257	-	-	-	55,257
Equipment	9,753,800	656,446	(527,227)	1,991,942	11,874,961
Construction in Progress	167,767	3,028,333	-	(632,250)	2,563,850
Totals	39,382,927	3,684,779	(588,137)	3,881	42,483,450
Accumulated Depreciation					
Land Improvements	503,384	65,592	(60,910)	41,261	549,327
Building	10,930,271	1,218,696	-	(103,757)	12,045,210
Leasehold Improvements	55,257	-	-	-	55,257
Movable Equipment	6,800,384	981,122	(527,227)	63,665	7,317,944
Totals	18,289,296	2,265,410	(588,137)	1,169	19,967,738
Total	<u>\$ 21,093,631</u>	<u>\$ 1,419,369</u>	<u>\$ -</u>	<u>\$ 2,712</u>	<u>\$ 22,515,712</u>

MITCHELL COUNTY REGIONAL HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 7 CAPITAL ASSETS (CONTINUED)

	July 1, 2018	Additions	(Retirements)	Transfers	June 30, 2019
Capital Assets					
Land	\$ 229,512	\$ -	\$ -	\$ -	\$ 229,512
Land Improvements	543,049	-	(7,578)	-	535,471
Building	16,343,793	33,682	(24,010)	12,287,655	28,641,120
Leasehold Improvements	55,257	-	-	-	55,257
Equipment	8,693,305	537,213	(260,468)	783,750	9,753,800
Construction in Progress	9,030,306	4,237,899	(29,033)	(13,071,405)	167,767
Totals	34,895,222	4,808,794	(321,089)	-	39,382,927
Accumulated Depreciation					
Land Improvements	498,047	7,442	(2,105)	-	503,384
Building	9,834,397	1,109,660	(13,786)	-	10,930,271
Leasehold Improvements	55,257	-	-	-	55,257
Movable Equipment	6,221,606	816,881	(238,103)	-	6,800,384
Totals	16,609,307	1,933,983	(253,994)	-	18,289,296
Total	<u>\$ 18,285,915</u>	<u>\$ 2,874,811</u>	<u>\$ (67,095)</u>	<u>\$ -</u>	<u>\$ 21,093,631</u>

Construction in progress at June 30, 2020 mainly consists of costs related to a new surgery expansion and renovation project. The surgery expansion and renovation project is expected to cost \$4,400,000, with anticipated external financing of \$3,200,000 with the remainder funded internally. The project and financing are anticipated to be completed in the second quarter of fiscal year 2021.

NOTE 8 LONG-TERM DEBT

A schedule of changes in long-term debt is as follows for the years ended June 30:

	Balance July 1, 2019	Additions	(Payments)	Balance June 30, 2020	Amounts Due Within One Year
Hospital Refunding Note, Series 2002	\$ 185,338	\$ -	\$ (185,338)	\$ -	\$ -
IT Infrastructure Loan	414,328	-	(129,446)	284,882	134,147
Hospital Revenue Note, Series 2017	8,227,534	733,401	(315,583)	8,645,352	388,547
Hospital Revenue Note, Series 2019	-	2,141,730	-	2,141,730	46,207
CT Scanner Loan	-	538,000	-	538,000	102,610
PPP Loan	-	2,480,100	-	2,480,100	1,090,606
3D Mammography Lease	170,597	-	(68,283)	102,314	71,525
Total Long-Term Debt	<u>\$ 8,997,797</u>	<u>\$ 5,893,231</u>	<u>\$ (698,650)</u>	<u>\$ 14,192,378</u>	<u>\$ 1,833,642</u>

MITCHELL COUNTY REGIONAL HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 8 LONG-TERM DEBT (CONTINUED)

	Balance July 1, 2018	Additions	(Payments) Amortization	Balance June 30, 2019	Amounts Due Within One Year
Hospital Refunding Note, Series 2002	\$ 456,573	\$ -	\$ (271,235)	\$ 185,338	\$ 185,338
IT Infrastructure Loan	539,317	-	(124,989)	414,328	129,456
Hospital Revenue Note, Series 2017	4,572,655	3,654,879	-	8,227,534	316,784
Radiology Note Payable	46,952	-	(46,952)	-	-
Endoscopy Note Payable	24,741	-	(24,741)	-	-
3D Mammography Lease	235,817	-	(65,220)	170,597	68,283
Total Long-Term Debt	<u>\$ 5,876,055</u>	<u>\$ 3,654,879</u>	<u>\$ (533,137)</u>	<u>\$ 8,997,797</u>	<u>\$ 699,861</u>

Hospital Refunding Revenue Note, Series 2002

The Health Center entered into a note payable with First Citizens National Bank, Mason City, Iowa on February 1, 2003, in the amount of \$3,520,000. The purpose of the note payable was to refund the 1997 Hospital Revenue Bonds in order to reduce the overall effective interest rates on the outstanding bond obligation. The note was fully paid off in February 2020. The Health Center is subject to certain financial and nonfinancial covenants related to the revenue note.

IT Infrastructure Loan

In fiscal year 2017, the Health Center entered into a loan with The Home Trust & Savings Bank of Osage, Iowa on June 29th. The loan was taken out to help finance the IT infrastructure project. The loan is collateralized by a \$650,000 CD with the bank. The loan carries an interest rate of 3.54% and has monthly principal and interest payments of \$11,840 through July of 2022. There are no covenants related to this loan.

CT Scanner Loan

The Health Center entered into a loan with Home Trust & Savings Bank of Osage, Iowa, on June 1, 2020 to help finance a CT scanner. The loan is for \$538,000 and carries an interest rate of 2.35%. The loan is for a term of 60 months requiring monthly payments of \$9,513 through June of 2025. There are no covenants related to this loan.

Capital Lease Obligations

The Health Center entered into a capital lease during fiscal year 2017 for a 3D mammography scanner. The lease is for a term of 60 months requiring monthly payments of \$6,230 through November of 2021 at which time the Health Center has a \$1 purchase option.

The cost of the equipment under the capital lease obligation is \$348,486. Accumulated depreciation of the equipment was \$267,173 and \$197,475 as of June 30, 2020 and 2019, respectively.

MITCHELL COUNTY REGIONAL HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 8 LONG-TERM DEBT (CONTINUED)

Hospital Revenue Note – Series 2017

The Health Center entered into a revenue note payable with Bell Bank on February 28, 2017, in a principal amount not to exceed \$9,000,000. Actual debt issuance costs during the year ended June 30, 2018 totaled \$129,858. Further proceeds are being distributed as project costs occur, and draw requests are submitted. The purpose of the note payable is to partially finance a hospital and clinic addition and remodeling project. Interest only payments at a rate of 3.39% began April 1, 2017 and continued until August 1, 2019. On September 1, 2019, monthly principal and interest payments commenced through maturity on March 1, 2037. The interest rate will adjust on March 1, 2027. The note is collateralized by the patient revenues of the Health Center. The Health Center is subject to certain financial and nonfinancial covenants related to the revenue note, similar to the Series 2002 note described above.

Hospital Revenue Note – Series 2019

The Health Center entered into a revenue note payable with Bell Bank on September 12, 2019, in a principal amount not to exceed \$3,200,000. Further proceeds are being distributed for additional capital improvement projects, specifically renovations of the operating room and to fund related debt issuance costs. The purpose of the note payable is to partially finance the operating room expansion and renovation. Interest only payments at a rate of 2.95% began October 1, 2019 and continue until March 1, 2021. On April 1, 2021, monthly principal and interest payments commence through maturity on March 1, 2031. The note is collateralized by the patient revenues of the Health Center. The Health Center is subject to certain financial and nonfinancial covenants related to the revenue note, similar to the Series 2002 note described above.

Paycheck Protection Program (PPP) Loan

On April 23, 2020, the Health Center entered into a loan agreement with the Iowa State Bank under the Small Business Administration (SBA) Paycheck Protection Program (PPP) for the amount of \$2,480,100. The loan accrues interest at 1% with principal and interest payments due monthly starting in November 2020. There are provisions under the PPP loan program where all or a portion of the loan may be forgiven based on certain criteria like maintaining full time equivalent employees. The amount of the loan forgiveness has yet to be determined.

**MITCHELL COUNTY REGIONAL HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 8 LONG-TERM DEBT (CONTINUED)

The aggregate future principal and interest payment requirements for the next five years and in the aggregate for long-term debt are as follows:

Year Ending June 30,	Long-Term Debt		Capital Lease	
	Principal	Interest	Principal	Interest
2021	\$ 1,762,117	\$ 395,838	\$ 71,525	\$ 3,234
2022	2,223,713	351,719	30,789	361
2023	728,976	320,200	-	-
2024	739,876	297,502	-	-
2025	763,285	274,092	-	-
2026-2030	3,589,550	1,026,564	-	-
2031-2035	3,103,100	460,720	-	-
2036-2039	1,179,447	37,878	-	-
Total	<u>\$ 14,090,064</u>	<u>\$ 3,164,513</u>	<u>\$ 102,314</u>	<u>\$ 3,595</u>

NOTE 9 OPERATING LEASES – RENTAL AGREEMENTS

The Health Center rents space for a satellite clinic operation. Rental expense for the period ended June 30, 2020 and 2019 amounted to \$9,744 and \$9,602, respectively. The space is rented on a month-to-month basis.

NOTE 10 PENSION AND RETIREMENT BENEFITS

Plan Description

IPERS membership is mandatory for employees of the Health Center, except for those covered by another retirement system. Employees of the Health Center are provided with pensions through a cost-sharing multiemployer defined benefit pension plan administered by the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, PO Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits

A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55.

**MITCHELL COUNTY REGIONAL HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 10 PENSION AND RETIREMENT BENEFITS (CONTINUED)

Pension Benefits (Continued)

The formula used to calculate a Regular member's monthly IPERS benefits includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

Protection occupation members may retire at normal retirement age, which is generally at age 55. The formula used to calculate a protection occupation member's monthly IPERS benefits includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.50% of average salary for years of service greater than 22 but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is .25% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is .50% for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefits payments.

Disability and Death Benefits

A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions

Contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' contribution rate funding policy and actuarial amortization method. State statute limits the amount that rates can increase or decrease each year to 1 percentage point.

MITCHELL COUNTY REGIONAL HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 10 PENSION AND RETIREMENT BENEFITS (CONTINUED)

Contributions (Contributed)

IPERS' contribution rate funding policy requires the actuarial contribution rate to be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability based on a 30-year amortization period. The payment to amortize the unfunded actuarial is determined as a level percentage of your payroll based on the actuarial amortization method adopted by the Investment Board.

In fiscal years 2020 and 2019, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the Health Center contributed 9.44% of covered payroll for a total rate of 15.73%. In fiscal years 2020 and 2019, Protective occupation members contributed 6.61% and 6.81%, respectively, of covered payroll and the Health Center contributed 9.91% and 10.21%, respectively, of covered payroll for a total rate of 16.52% and 17.02%, respectively.

The Health Center's cash contributions to IPERS for the years ended June 30, 2020 and 2019 were \$917,935 and \$904,771, respectively.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2020 and 2019, the Health Center reported a liability of \$6,920,003 and \$6,642,003, respectively, for its proportionate share of the net pension liability. The Health Center net pension liability was measured as of June 30, 2019 and 2018, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The Health Center's proportion of the net pension liability was based on the Health Center's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2019, the Health Center's collective proportionate share was .119274% which was an increase of .014251% from its proportion measured as of June 30, 2018. At June 30, 2019, the Health Center's proportion for the protection service group was .108761% which was an increase of .005199% from its proportion measured as of June 30, 2018.

For the years ended June 30, 2020 and 2019, the Health Center recognized pension expense of \$1,636,847 and \$1,151,675, respectively. This is a difference of \$714,996 and \$244,641 for the years ended June 30, 2020 and 2019, respectively, in additional expense due to amortization of deferred outflows and inflows, actuarial assumption changes, and other impacts of the pension calculations summarized in this note.

**MITCHELL COUNTY REGIONAL HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 10 PENSION AND RETIREMENT BENEFITS (CONTINUED)

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

At June 30, 2020 and 2019, the Health Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 21,851	\$ 251,240
Changes of Assumptions	771,886	1,069
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	822,933
Changes in Proportion and Differences Between Health Center Contributions and Proportionate Share of Contributions	906,970	4,442
Health Center Contributions Subsequent to the Measurement Date	917,935	-
Total	<u>\$ 2,618,642</u>	<u>\$ 1,079,684</u>

	2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 37,288	\$ 152,972
Changes of Assumptions	984,844	1,342
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	193,534
Changes in Proportion and Differences Between Health Center Contributions and Proportionate Share of Contributions	401,730	4,831
Health Center Contributions Subsequent to the Measurement Date	904,771	-
Total	<u>\$ 2,328,633</u>	<u>\$ 352,679</u>

At June 30, 2020 and 2019, \$917,935 and \$904,771, respectively, was reported as deferred outflows of resources related to pensions resulting from Health Center contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the years ended June 30, 2020 and 2019, respectively.

**MITCHELL COUNTY REGIONAL HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 10 PENSION AND RETIREMENT BENEFITS (CONTINUED)

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30.</u>	2020 Amount	2019 Amount
2020	\$ -	\$ 633,042
2021	425,123	368,290
2022	62,732	44,598
2023	53,063	28,480
2024	20,387	(3,227)
2025	59,718	-
Total	<u>\$ 621,023</u>	<u>\$ 1,071,183</u>

There were no nonemployer contributing entities at IPERS.

Actuarial Assumptions

The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement as follows:

Rate of Inflation (Effective June 30, 2017)	2.60% per annum.
Rates of Salary Increase (Effective June 30, 2017)	3.25 to 16.25% average, including inflation. Rates vary by membership group.
Long-Term Investment Rate of Return (Effective June 30, 2017)	7.00%, compounded annually, net of investment expense, including inflation.
Wage Growth (Effective June 30, 2017)	3.25% per annum based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of actuarial experience study dated March 24, 2017 and a demographic assumption dated June 28, 2018.

Mortality rates used in the 2018 valuations were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

**MITCHELL COUNTY REGIONAL HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 10 PENSION AND RETIREMENT BENEFITS (CONTINUED)

Actuarial Assumptions (Continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	22.0 %	5.60 %
International Equity	15.0	6.08
Global Smart Beta Equity	3.0	5.82
Core-Plus Fixed Income	27.0	1.71
Public Credit	3.5	3.32
Public Real Assets	7.0	2.81
Cash	1.0	(0.21)
Private Equity	11.0	10.13
Private Real Assets	7.5	4.76
Private Credit	3.0	3.01
Total	100 %	

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the Hospital will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Health Center's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Health Center's proportionate share of the net pension liability as of June 30, 2020 and 2019, calculated using the discount rate of 7.00%, as well as what the Health Center's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate.

**MITCHELL COUNTY REGIONAL HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 10 PENSION AND RETIREMENT BENEFITS (CONTINUED)

Sensitivity of the Health Center's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

	2020		
	1% Decrease (6.0%)	Discount Rate (7.0%)	1% Increase (8.0%)
Hospital's Proportionate Share of the Net Pension Liability	\$ 12,556,902	\$ 6,920,003	\$ 2,192,163
	2019		
	1% Decrease (6.0%)	Discount Rate (7.0%)	1% Increase (8.0%)
Hospital's Proportionate Share of the Net Pension Liability	\$ 11,495,662	\$ 6,642,003	\$ 2,571,164

IPERS' Fiduciary Net Position

Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to IPERS

At June 30, 2020 and 2019, the Health Center reported payables to IPERS of \$118,450 and \$117,205, respectively, for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

NOTE 11 RELATED ORGANIZATIONS

Master Affiliation Agreement

The Health Center operates under a Master Affiliation Agreement with Mercy Health Network dba MercyOne (MHN) to provide hospital, physician, and other health care services in Mitchell County and the North Central Iowa region under the name of the Health Center. As a part of the Master Affiliation Agreement, the Health Center entered into a professional services agreement with MHN whereby MHN provides physician medical services as well as staff employees in support of the physician medical services. Amounts paid to MHN for the provision of these services and other miscellaneous items amounted to \$3,962,185 and \$3,708,752 for the years ended June 30, 2020 and 2019, respectively.

Management Services Agreement

The Health Center has a contractual arrangement with MHN under which MHN provides administrative staff, management consultation, and other services to the Health Center. The arrangement does not alter the authority or responsibility of the board of trustees of the Health Center. Expenses for the administrative and management services received for the years ended June 30, 2020 and 2019 were \$658,644 and \$694,412, respectively.

MITCHELL COUNTY REGIONAL HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 11 RELATED ORGANIZATIONS (CONTINUED)

Due to/from Affiliated Organization

As of June 30, 2020 and 2019, the Health Center's records reflect a due to Mercy Medical Center – North Iowa of \$756,993 and \$738,976, respectively, for the various services and distributions related to these agreements.

Other

The Health Center has a contractual agreement with Regional Health Services of Howard County, another hospital affiliated with MHN, to share Chief Financial Officer services. Amounts offsetting Health Center expense for the years ended June 30, 2020 and 2019 were approximately \$121,000 and \$114,000, respectively.

NOTE 12 FUNCTIONAL EXPENSES

Program, general, and fundraising expenses for the Foundation for the years ended June 30 are as follows:

	2020		
	Program Services	Management and General	Total
Distributions to Mitchell County Regional Health Center	\$ 115,656	\$ -	\$ 115,656
Distributions to Others	4,047	-	4,047
Supplies and Other Expenses	-	3,755	3,755
Total	<u>\$ 119,703</u>	<u>\$ 3,755</u>	<u>\$ 123,458</u>
	2019		
	Program Services	Management and General	Total
Distributions to Mitchell County Regional Health Center	\$ 13,678	\$ -	\$ 13,678
Distributions to Others	3,304	-	3,304
Supplies and Other Expenses	-	1,921	1,921
Total	<u>\$ 16,982</u>	<u>\$ 1,921</u>	<u>\$ 18,903</u>

The Foundation identifies costs directly to program, support, or fundraising functions as invoices are received or costs incurred.

**MITCHELL COUNTY REGIONAL HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 13 COMMITMENTS AND CONTINGENCIES

Health Center Risk Management

The Health Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. The Health Center assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

Malpractice Insurance

The Health Center has malpractice insurance coverage to provide protection for professional liability losses on a claims-made basis subject to a limit of \$1 million per claim and an annual aggregate limit of \$3 million. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during its term, but reported subsequently will be uninsured.

Health Care Legislation and Regulation

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient and resident services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violation of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient and resident services previously billed.

NOTE 14 LIQUIDITY AND AVAILABILITY

As of December 31, 2020 and 2019, the Foundation had working capital of \$162,939 and \$118,600, respectively and average day's cash on hand (based on normal expenditures) of 482 and 2,290, respectively.

Financial assets available for general expenditures within one year of the balance sheet consist of the following:

	2020	2019
Financial Assets at Year-End:		
Cash and Cash Equivalents	\$ 162,939	\$ 118,600
Assets Limited as to Use:	505,289	412,413
Total Financial Assets	668,228	531,013
Less Amounts Not Available to be Used Within One Year:		
Assets Limited as to Use	505,289	412,413
Amounts Not Available to be Used Within One Year	505,289	412,413
Financial Assets Available for General Expenditure Within One Year	<u>\$ 162,939</u>	<u>\$ 118,600</u>

MITCHELL COUNTY REGIONAL HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 15 COVID-19 PANDEMIC IMPACTS

In March 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Health Center, COVID-19 may impact various parts of its fiscal year 2021 operations and financial results including but not limited to additional costs for emergency preparedness, disease control and containment, potential shortages of health care personnel, or loss of revenue due to reductions in certain revenue streams. Management believes the Medical Center is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as of June 30, 2020.

As part of the Health Center's response to the COVID-19 pandemic it received payments from the CARES Act Provider Relief Fund (PRF), which is administered by the U.S. Department of Health and Human Services (HHS). The Health Center received Provider Relief Funds in the amount of \$4,398,267, made up of \$573,618 from the General Distribution and \$3,824,649 from Targeted Distributions for Rural Providers and Rural Health Clinic (RHC) Testing. The PRF payments are subject to terms and conditions and can generally be used to prevent, prepare for, and respond to coronavirus through reimbursement of health care related expenses or lost revenues attributable to coronavirus. The PRF funds are also subject to certain reporting and audit requirements. Subsequent to year-end, HHS released detailed reporting requirements guidance related to the PRF, which the Health Center has taken into consideration when recognizing revenue related to the PRF. Reporting includes required data elements around eligible expenses, lost revenue, and other data points through the calendar year ended December 31, 2020, with a deadline of February 15, 2021. The Health Center has not recognized any revenue for eligible expenses and lost revenues attributable to coronavirus for the year-ended June 30, 2020. PRF funds received but not recognized totaling \$4,398,267 as of June 30, 2020 are presented as unearned grant revenue in the statement of net position. Due to the calendar year reporting and continued changes in guidance from HHS subsequent to year-end, management has deemed it appropriate to defer recognition of the PRF grant revenue until specific eligible expenses have been identified, and the calendar year lost revenue calculation can be determined.

REQUIRED SUPPLEMENTARY INFORMATION

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MITCHELL COUNTY REGIONAL HEALTH CENTER
BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION – BUDGET AND ACTUAL (CASH BASIS) (UNAUDITED)
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2020
(SEE INDEPENDENT AUDITORS' REPORT)

	General Fund	Accrual Adjustments	Cash Basis	Budget	Final to Actual Cash Basis Variance
Estimated Amount to be Raised by Taxation	\$ 794,553	\$ -	\$ 794,553	\$ 757,188	\$ 37,365
Estimated Other Revenues/Receipts	<u>28,702,506</u>	<u>12,194,886</u>	<u>40,897,392</u>	<u>31,478,366</u>	<u>9,419,026</u>
	29,497,059	12,194,886	41,691,945	32,235,554	9,456,391
Expenses/Disbursements	<u>29,366,516</u>	<u>1,870,983</u>	<u>31,237,499</u>	<u>34,555,654</u>	<u>(3,318,155)</u>
Net	130,543	10,323,903	10,454,446	(2,320,100)	12,774,546
Balance - Beginning of Year	<u>20,405,484</u>	<u>(9,015,505)</u>	<u>11,389,979</u>	<u>10,720,256</u>	<u>669,723</u>
Balance - End of Year	<u><u>\$ 20,536,027</u></u>	<u><u>\$ 1,308,398</u></u>	<u><u>\$ 21,844,425</u></u>	<u><u>\$ 8,400,156</u></u>	<u><u>\$ 13,444,269</u></u>

MITCHELL COUNTY REGIONAL HEALTH CENTER
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
JUNE 30, 2020
(SEE INDEPENDENT AUDITORS' REPORT)

NOTE 1 BUDGETARY COMPARISON

This budgetary comparison is presented as required supplementary information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary prospective differences resulting from the Health Center preparing a budget on the cash basis of accounting.

The board of trustees annually prepares and adopts a budget designating the amount necessary for the improvement and maintenance of the Health Center on the cash basis following required public notice and hearing in accordance with Chapters 24 and 347 of the Code of Iowa. The board of trustees certifies the approved budget to the appropriate county auditors. The budget may be amended during the year utilizing similar statutorily prescribed procedures, and there was one amendment for the year ended June 30, 2020. Formal and legal budgetary control is based on total expenditures.

For the year ended June 30, 2020, the Health Center's expenditures did not exceed the amount budgeted.

**MITCHELL COUNTY REGIONAL HEALTH CENTER
SCHEDULES OF THE HEALTH CENTER'S PORPORTIONATE
SHARE OF THE NET PENSION LIABILITY (UNAUDITED)
REQUIRED SUPPLEMENTARY INFORMATION
YEARS ENDED JUNE 30, 2020 THROUGH 2015*
(SEE INDEPENDENT AUDITORS' REPORT)**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Health Center's Regular Proportion of the Net Pension Liability	0.1192740%	0.1050230%	0.1047740%	0.0969130%
Health Center's Protection Proportion of the Net Pension Liability	0.1087610%	0.1035620%	0.0805330%	0.0960970%
Health Center's Proportionate Share of the Net Pension Liability	\$ 6,920,003	\$ 6,642,003	\$ 6,931,390	\$ 6,063,340
Health Center's Covered Payroll	\$ 9,702,910	\$ 9,552,016	\$ 8,277,862	\$ 8,093,035
Health Center's Proportionate Share of the Net Pension Liability as a Percentage of its Employee Covered Payroll	71.32 %	69.54 %	83.73 %	74.92 %
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	85.45%	83.62%	82.21%	81.82%
	<u>2016</u>	<u>2015</u>		
Health Center's Regular Proportion of the Net Pension Liability	0.0886620%	0.0911890%		
Health Center's Protection Proportion of the Net Pension Liability	0.0933170%	0.0869140%		
Health Center's Proportionate Share of the Net Pension Liability	\$ 4,600,526	\$ 3,622,665		
Health Center's Covered Payroll	\$ 7,545,839	\$ 7,164,508		
Health Center's Proportionate Share of the Net Pension Liability as a Percentage of its Employee Covered Payroll	60.97 %	50.56 %		
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	85.19%	87.61%		

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding year.

**MITCHELL COUNTY REGIONAL HEALTH CENTER
SCHEDULES OF HEALTH CENTER CONTRIBUTIONS (UNAUDITED)
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE LAST EIGHT YEARS*
(SEE INDEPENDENT AUDITORS' REPORT)**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Statutorily Required Contribution	\$ 917,935	\$ 904,771	\$ 742,516	\$ 722,708
Contributions in Relation to the Statutorily Required Contribution	<u>917,935</u>	<u>904,771</u>	<u>742,516</u>	<u>722,708</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Health Center Covered Payroll	\$ 9,702,910	\$ 9,552,016	\$ 8,277,862	\$ 8,093,035
Contributions as a Percentage of Covered-Employee Payroll (Regular)	9.44%	9.44%	8.93%	8.93%
Contributions as a Percentage of Covered-Employee Payroll (Protection)	10.21%	10.21%	9.84%	9.84%
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Statutorily Required Contribution	\$ 647,889	\$ 503,743	\$ 506,358	\$ 478,364
Contributions in Relation to the Statutorily Required Contribution	<u>647,889</u>	<u>503,743</u>	<u>506,358</u>	<u>478,364</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Health Center Covered Payroll	\$ 7,545,839	\$ 7,164,508	\$ 6,648,845	\$ 5,945,421
Contributions as a Percentage of Covered-Employee Payroll (Regular)	8.93%	8.93%	8.93%	8.67%
Contributions as a Percentage of Covered-Employee Payroll (Protection)	10.14%	10.14%	10.14%	10.27%

* GASB 68 requires ten years of information to be presented in this table. However, until a full ten years is complied, the Health Center will present information for those years for which information is available.

MITCHELL COUNTY REGIONAL HEALTH CENTER
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY
JUNE 30, 2020 AND 2019
(SEE INDEPENDENT AUDITORS' REPORT)

NOTE 1 PENSION LIABILITY

Changes of Benefit Terms

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Changes of Assumptions

The 2018 valuation implemented the following refinements as a result of demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2016. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

MITCHELL COUNTY REGIONAL HEALTH CENTER
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY
JUNE 30, 2020 AND 2019
(SEE INDEPENDENT AUDITORS' REPORT)

NOTE 1 PENSION LIABILITY (CONTINUED)

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

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OTHER SUPPLEMENTARY INFORMATION

MITCHELL COUNTY REGIONAL HEALTH CENTER
SCHEDULES OF PATIENT SERVICE REVENUES
YEARS ENDED JUNE 30, 2020 AND 2019
(SEE INDEPENDENT AUDITORS' REPORT)

	Total	
	2020	2019
PATIENT SERVICE REVENUE		
Medical and Surgical	\$ 1,392,875	\$ 1,314,488
Swing Bed	375,034	359,112
Total Patient Service Revenue	1,767,909	1,673,600
OTHER PROFESSIONAL SERVICE REVENUE		
Operating and Recovery Room	2,304,233	1,983,079
Emergency Room	3,346,511	3,392,544
Blood Supplies	91,759	101,177
Anesthesiology	1,252,820	1,299,767
Radiology and Ultrasound	8,159,788	8,072,855
Laboratory	5,150,151	5,263,464
Respiratory Therapy	924,459	1,019,114
Physical Therapy	1,088,072	1,003,167
Occupational Therapy	369,155	239,693
Speech Therapy	226,188	88,810
Electrocardiology	954,818	1,268,819
Medical and Surgical Supplies	824,941	773,425
Pharmacy	2,042,124	2,686,954
Ambulance	1,071,128	1,117,506
Sleep Lab	262,642	338,343
Cardiac Rehabilitation	156,565	126,370
Osage Clinic	8,105,530	8,114,027
St. Ansgar Clinic	3,665,092	3,873,699
Surgical Clinic	912,614	876,432
Riceville Clinic	841,826	939,685
Podiatry	446,515	447,492
Senior Life Solutions	1,876,214	2,181,875
Total Other Professional Service Revenue	44,073,145	45,208,297
GROSS PATIENT CHARGES	45,841,054	46,881,897
CHARITY CARE	(26,781)	(13,289)
TOTAL PATIENT SERVICE AND OTHER PROFESSIONAL SERVICE REVENUE	45,814,273	46,868,608
CONTRACTUAL ADJUSTMENTS		
Medicare	(9,788,251)	(10,666,476)
Medicaid	(2,326,984)	(2,512,027)
Commercial and Other	(7,321,208)	(7,216,752)
Total Contractual Adjustments	(19,436,443)	(20,395,255)
PATIENT SERVICE REVENUES, NET OF CONTRACTUAL ADJUSTMENTS	26,377,830	26,473,353
PROVISION FOR UNCOLLECTIBLE ACCOUNTS	(816,920)	(833,614)
NET PATIENT SERVICE REVENUES	\$ 25,560,910	\$ 25,639,739

MITCHELL COUNTY REGIONAL HEALTH CENTER
SCHEDULES OF PATIENT SERVICE REVENUES (CONTINUED)
YEARS ENDED JUNE 30, 2020 AND 2019
(SEE INDEPENDENT AUDITORS' REPORT)

Inpatient		Outpatient	
2020	2019	2020	2019
\$ 1,182,090	\$ 1,096,077	\$ 210,785	\$ 218,411
375,034	359,112	-	-
<u>1,557,124</u>	<u>1,455,189</u>	<u>210,785</u>	<u>218,411</u>
65,357	29,781	2,238,876	1,953,298
(3,148)	13,231	3,349,659	3,379,313
11,148	17,926	80,611	83,251
22,849	21,992	1,229,971	1,277,775
282,405	277,067	7,877,383	7,795,788
371,647	338,663	4,778,504	4,924,801
609,207	572,443	315,252	446,671
179,390	166,329	908,682	836,838
106,049	91,721	263,106	147,972
31,485	22,294	194,703	66,516
109,688	123,469	845,130	1,145,350
193,222	165,955	631,719	607,470
409,929	620,732	1,632,195	2,066,222
104,239	99,724	966,889	1,017,782
-	-	262,642	338,343
-	-	156,565	126,370
966,412	976,727	7,139,118	7,137,300
-	-	3,665,092	3,873,699
-	-	912,614	876,432
-	-	841,826	939,685
-	-	446,515	447,492
-	-	1,876,214	2,181,875
<u>3,459,879</u>	<u>3,538,054</u>	<u>40,613,266</u>	<u>41,670,243</u>
<u>\$ 5,017,003</u>	<u>\$ 4,993,243</u>	<u>\$ 40,824,051</u>	<u>\$ 41,888,654</u>

MITCHELL COUNTY REGIONAL HEALTH CENTER
SCHEDULES OF ADJUSTMENTS TO PATIENT SERVICE REVENUES AND OTHER REVENUES
YEARS ENDED JUNE 30, 2020 AND 2019
(SEE INDEPENDENT AUDITORS' REPORT)

	<u>2020</u>	<u>2019</u>
ADJUSTMENTS TO PATIENT SERVICE REVENUES		
Contractual Adjustments - Medicare	\$ 9,788,251	\$ 10,666,476
Contractual Adjustments - Medicaid	2,326,984	2,512,027
Provision for Uncollectible Accounts	816,920	833,614
Other Allowances and Adjustments	<u>7,321,208</u>	<u>7,216,752</u>
 Total Adjustments	 <u><u>\$ 20,253,363</u></u>	 <u><u>\$ 21,228,869</u></u>
 OTHER REVENUES		
Rental	\$ 78,812	\$ 84,339
Cafeteria	125,680	131,161
Lab	3,265	5,474
Vending Machines	6,645	5,374
Medical Records Transcripts	414	595
Retail 340B	2,292,390	2,059,638
Other	<u>218,277</u>	<u>247,099</u>
 Total Other Revenues	 <u><u>\$ 2,725,483</u></u>	 <u><u>\$ 2,533,680</u></u>

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MITCHELL COUNTY REGIONAL HEALTH CENTER
SCHEDULES OF OPERATING EXPENSES
YEARS ENDED JUNE 30, 2020 AND 2019
(SEE INDEPENDENT AUDITORS' REPORT)

	Total	
	2020	2019
Employee Benefits	\$ 3,982,737	\$ 3,385,692
Administrative and General	3,381,266	3,237,015
Operation of Plant	581,279	610,302
Laundry and Linen	52,289	50,223
Environment	234,422	221,114
Dietary	343,206	322,106
Adults and Pediatrics	1,168,914	1,154,495
Nursing Administration	247,845	267,301
Operating and Recovery Room	816,050	800,228
Anesthesiology	259,463	251,858
Radiology and Ultrasound	1,090,831	1,066,608
Laboratory	843,468	958,791
Blood Supplies	47,223	56,142
Respiratory Therapy	208,927	240,152
Physical Therapy	333,876	316,296
Speech Therapy	75,080	35,977
Occupational Therapy	68,686	61,287
Electrocardiology	149,261	128,104
Medical and Surgical Supplies	173,217	114,886
Pharmacy	685,035	709,243
Cardiac Rehabilitation	44,682	45,110
Emergency Room	1,160,491	1,131,377
Health Information Management	408,625	383,270
Sleep Lab	42,613	60,399
Podiatry	225,171	233,304
Ambulance	482,298	546,574
Osage Clinic	4,896,059	4,649,894
St. Ansgar Clinic	2,248,631	2,287,844
Surgical Clinic	549,460	605,554
Riceville Clinic	454,222	470,221
Senior Life Solutions	568,457	623,943
Retail Pharmacy	942,402	852,548
Specialty Clinic	1,413	-
Depreciation Expense	2,265,410	1,933,986
Interest and Amortization Expense	333,507	78,593
Total Operating Expenses	<u>\$ 29,366,516</u>	<u>\$ 27,890,439</u>

MITCHELL COUNTY REGIONAL HEALTH CENTER
SCHEDULES OF OPERATING EXPENSES (CONTINUED)
YEARS ENDED JUNE 30, 2020 AND 2019
(SEE INDEPENDENT AUDITORS' REPORT)

Salaries		Other	
2020	2019	2020	2019
\$ -	\$ -	\$ 3,982,737	\$ 3,385,692
1,932,501	1,915,222	1,448,765	1,321,793
225,114	233,011	356,165	377,291
15,305	13,142	36,984	37,081
198,061	177,548	36,361	43,566
206,608	204,535	136,598	117,571
1,071,603	1,044,458	97,311	110,037
246,235	258,812	1,610	8,489
380,156	334,450	435,894	465,778
236,248	221,197	23,215	30,661
450,715	433,234	640,116	633,374
477,019	469,853	366,449	488,938
4,046	4,803	43,177	51,339
33,275	37,905	175,652	202,247
311,618	299,467	22,258	16,829
-	-	75,080	35,977
63,310	50,531	5,376	10,756
106,379	101,186	42,882	26,918
-	-	173,217	114,886
155,178	147,992	529,857	561,251
41,660	42,389	3,022	2,721
1,048,208	980,272	112,283	151,105
359,646	334,598	48,979	48,672
9,603	25,134	33,010	35,265
23,721	24,209	201,450	209,095
391,208	402,915	91,090	143,659
1,076,613	1,024,070	3,819,446	3,625,824
432,435	468,120	1,816,196	1,819,724
503,718	557,460	45,742	48,094
123,074	135,522	331,148	334,699
42,220	50,349	526,237	573,596
-	-	942,402	852,548
-	-	1,413	-
-	-	2,265,410	1,933,986
-	-	333,507	78,593
<u>\$ 10,165,477</u>	<u>\$ 9,992,384</u>	<u>\$ 19,201,039</u>	<u>\$ 17,898,055</u>

MITCHELL COUNTY REGIONAL HEALTH CENTER
SCHEDULES OF AGED ACCOUNTS RECEIVABLE FROM
PATIENTS AND ALLOWANCE FOR DOUBTFUL ACCOUNTS (UNDAUDITED)
YEARS ENDED JUNE 30, 2020 AND 2019
(SEE INDEPENDENT AUDITORS' REPORT)

Analysis of Aging

Age of Accounts (by Date of Discharge)	2020		2019	
	Amount	Percent	Amount	Percent
1-30 days (Includes Patients in Hospital on June 30)	\$ 3,308,161	63.1 %	\$ 4,221,762	63.1 %
31-60 Days	481,982	9.2	534,225	8.0
61-90 Days	156,119	3.1	361,419	5.5
91 Days and Over	1,295,428	24.7	1,572,882	23.4
Total Accounts Receivable	5,241,690	100.0 %	6,690,288	100.0 %
Allowances:				
Contractual Adjustments	1,670,150		2,278,652	
Doubtful Accounts	668,797		832,370	
Net Accounts Receivable	<u>\$ 2,902,743</u>		<u>\$ 3,579,266</u>	
Net Patient Service Revenue per Calendar Day	<u>\$ 70,030</u>		<u>\$ 70,246</u>	
Days of Net Revenue in Net Accounts Receivable at Year-End	<u>41</u>		<u>51</u>	

Analysis of Allowance for Doubtful Accounts

	2020		2019	
	Amount	Percent of Net Patient Service Revenue	Amount	Percent of Net Patient Service Revenue
Balance - Beginning of Year	\$ 832,370		\$ 494,202	
Add:				
Provision for Doubtful Accounts	816,920	3.2 %	833,614	3.3 %
Recoveries Previously Written Off	313,326	1.2	254,139	1.0
Total	1,130,246		1,087,753	
Deduct:				
Accounts Written Off	(1,293,819)	(5.1)	(749,585)	(2.9)
Balance - End of Year	<u>\$ 668,797</u>		<u>\$ 832,370</u>	

MITCHELL COUNTY REGIONAL HEALTH CENTER
SCHEDULES OF INVENTORIES AND PREPAID EXPENSES
YEARS ENDED JUNE 30, 2020 AND 2019
(SEE INDEPENDENT AUDITORS' REPORT)

	<u>2020</u>	<u>2019</u>
INVENTORIES		
Central Stores and Central Supply	\$ 348,913	\$ 307,722
Pharmacy	<u>117,716</u>	<u>112,011</u>
Total Inventories	<u><u>\$ 466,629</u></u>	<u><u>\$ 419,733</u></u>
 PREPAID EXPENSES		
Insurance	\$ 12,322	\$ 6,729
Other	<u>128,283</u>	<u>113,410</u>
Total Prepaid Expenses	<u><u>\$ 140,605</u></u>	<u><u>\$ 120,139</u></u>

MITCHELL COUNTY REGIONAL HEALTH CENTER
SCHEDULE OF BOND INVESTMENT TRANSACTIONS
YEARS ENDED JUNE 30, 2020 AND 2019
(SEE INDEPENDENT AUDITORS' REPORT)

	Balance June 30, 2019	Additions	Retirements	Balance June 30, 2020
Internally Designated by Bond Agreement for Sinking Fund	\$ 50,000	\$ -	\$ -	\$ 50,000
Certificate of Deposit Collateral on IT Infrastructure Loan	<u>650,000</u>	<u>-</u>	<u>-</u>	<u>650,000</u>
Total	<u><u>\$ 700,000</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 700,000</u></u>



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Trustees
Mitchell County Regional Health Center
Osage, Iowa

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Mitchell County Regional Health Center and its discretely presented component unit, Mitchell County Memorial Foundation, which comprise the statement of net position and statements of financial position as of June 30, 2020, and the related statements of revenues, expenses, and changes in net position, activities and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 27, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Health Center's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Health Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Health Center's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Health Center's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2020-001 which we consider to be a material weakness, and item 2020-002 which we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Health Center, are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance and other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the Health Center's operations for the year ended June 30, 2020 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Health Center and are reported in Part II of the accompanying schedule of findings and responses. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Response to Finding

The Health Center's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Health Center's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Health Center's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Health Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Austin, Minnesota
October 27, 2020

**MITCHELL COUNTY REGIONAL HEALTH CENTER
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2020**

Part I: Findings Related to the Financial Statements

2020-001 Preparation of Financial Statements

Condition: A properly designed system of internal control over financial reporting includes the preparation of an entity's financial statements and accompanying notes to the financial statements by internal personnel of the entity. Management is responsible for establishing and maintaining internal control over financial reporting and procedures related to the fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Criteria: The board of trustees and management share the ultimate responsibility for the Health Center's internal control system. While it is acceptable to outsource various accounting functions the responsibility for internal control cannot be outsourced.

The Health Center engages auditors to assist in preparing its financial statements and accompanying disclosures. However, as independent auditors, CLA cannot be considered part of the internal control system. As part of its internal controls over the preparation of financial statements including disclosures, the Health Center has implemented a comprehensive review procedure to ensure that the financial statements, including disclosures, are complete and accurate. Such review procedures should be performed by an individual possessing a thorough understanding of accounting principles generally accepted in the United States of America and knowledge of the Health Center's activities and operations.

The Health Center's personnel have not monitored recent accounting developments to the extent necessary to enable them to prepare the Health Center's financial statements and related disclosures, to provide a high level of assurance that potential omissions or other errors that are material would be identified and corrected on a timely basis.

Cause: We realize that obtaining the expertise necessary to prepare the financial statements, including all necessary disclosures, in accordance with U.S. GAAP can be considered costly and ineffective.

Effect: The effect of this condition is that the year-end financial reporting is prepared by a party outside of the Health Center. The outside party does not have the constant contact with ongoing financial transactions that internal staff have. Furthermore, it is possible that new standards may not be adopted and applied timely to the interim financial reporting. It is the responsibility of Mitchell County Regional Health Center's management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

**MITCHELL COUNTY REGIONAL HEALTH CENTER
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
YEAR ENDED JUNE 30, 2020**

Part I: Findings Related to the Financial Statements (Continued)

2020-001 Preparation of Financial Statements (Continued)

Recommendation: We recommend that management continue reviewing operating procedures in order to obtain the maximum internal control over financial reporting possible under the circumstances to enable staff to draft the financial statements internally.

Response: This finding and recommendation is not a result of any change in the Mitchell County Regional Health Center's procedures, rather it is due to an auditing standard implemented by the American Institute of Certified Public Accountants. Management feels that committing the resources necessary to remain current on U.S. GAAP and GASB reporting requirements and corresponding footnote disclosures would lack benefit in relation to the cost, but will continue evaluating on a going forward basis.

Conclusion: Response accepted

2020-002 Proposed Audit Adjustments

Criteria: The Health Center must be able to prevent or detect a misstatement in the annual financial statements.

Condition: A misstatement of the Health Center financial statements could occur.

Cause: The Health Center relied on the audit firm to propose audit adjustments to reconcile various accounts at year-end. All proposed audit adjustments are approved by management.

Effect: A misstatement of the financial statements could occur.

Recommendation: We recommend that the Health Center accounting personnel review final account balances and consult with auditors throughout the year regarding accounts and adjustments as needed.

Response: Management will consult with the audit firm as needed during the year in order to adjust accounts to appropriately reconcile.

Conclusion: Response accepted.

**MITCHELL COUNTY REGIONAL HEALTH CENTER
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
YEAR ENDED JUNE 30, 2020**

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-20 **Certified Budget:** Health Center cash basis expenditures during the year ended June 30, 2020 did not exceed budgeted amounts.
- II-B-20 **Questionable Expenditures:** We noted no expenditures that we believe would be in conflict with the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-20 **Travel Expense:** No expenditures of Health Center money for travel expenses of spouses of Health Center officials and/or employees were noted.
- II-D-20 **Business Transactions:** We noted no material business transactions between the Health Center and Health Center officials and/or employees.
- II-E-20 **Board Minutes:** No transactions were found that we believe should have been approved in the board minutes but were not.
- II-F-20 **Deposits and Investments:** No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the Health Centers investment policy were noted.
- II-G-20 **Publication of Bills Allowed and Salaries:** Chapter 347.13(15) of the Code of Iowa states "There shall be published quarterly in each of the official newspapers of the county as selected by the board of supervisors pursuant to Section 349.1 the schedule of bills allowed and there shall be published annually in such newspapers the schedule of salaries paid by job classification and category The Health Center published schedules of bills allowed and a schedule of salaries paid as required by the Code.

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INDEPENDENT AUDITORS' REPORT ON DEBT AGREEMENT COVENANTS

Board of Trustees
Mitchell County Regional Health Center
Osage, Iowa

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Mitchell County Regional Health Center (the Health Center) which comprise the statements of net position as of June 30, 2020 and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated October 27, 2020.

In connection with our audit, nothing came to our attention that caused us to believe that the Health Center was not in compliance with any of the terms, covenants, provisions, or conditions of Section Seventeen "Covenants Regarding the Operation of the Health Center," and Section Fifteen "Patient rates and Charges" of the loan agreement dated February 1, 2003, relating to the issue of \$3,520,000 Hospital Refunding Revenue Note with First Citizens National Bank, Mason City, Iowa, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Health Center's noncompliance with the above referenced terms, covenants, provisions, or conditions of the Indenture, insofar as they relate to accounting matters.

This report is intended solely for the information and use of the board of trustees, management of Mitchell County Regional Health Center, and the County of Mitchell, Iowa and is not intended to be, and should not be, used by anyone other than these specified parties.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Austin, Minnesota
October 27, 2020

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